

Message Text

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ACTION IO-13

INFO OCT-01 EUR-12 EB-07 EA-07 ISO-00 AGRE-00 SP-02
USIA-06 AID-05 NSC-05 EPG-02 TRSE-00 SS-15 STR-04
OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-01
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TO SECSTATE WASHDC 7527
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C O N F I D E N T I A L GENEVA 3941

EO 11652: GDS
TAGS: CIEC, EGEN
SUBJ: CIEC AND THE COMMON FUND

SUMMARY: INDONESIAN AMB ALI ALATAS EXPRESSED
GRATIFICATION WITH HIS LONDON MEETING WITH UNDER
SECY COOPER AND OPTIMISM WITH RESPECT TO THE OUT-
COME OF CIEC. CONCERNING THE COMMON FUND, SUCCESS
WOULD DEPEND UPON GROUP B COUNTRIES COALESCING BEHIND
THE "POOLING PLUS" IDEA, WHICH WOULD THEN HAVE AN
ELEMENT IN COMMON WITH THE "CENTRAL SOURCE" CONCEPT
OF THE G-77, AND THUS OFFER A BASIS FOR NEGOTIATION.
BETWEEN NOW AND NOV IT WOULD ALSO BE CRUCIAL TO
MAKE SUBSTANTIAL PROGRESS ON INDIVIDUAL COMMODITY
NEGOTIATIONS, WITH CONCRETE AGREEMENT ON PERHAPS FIVE
OR SIX IN ORDER TO HAVE A BREAKTHROUGH. A COMMON FUND
THAT OPERATED AS ANOTHER WINDOW TO THE IBRD WOULD BE
OPPOSED BY THE G-77, AND HE HOPED WE WOULD OPPOSE IT
BECAUSE IT WOULD LET THE EAST EUROPEAN COUNTRIES OFF
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THE HOOK. END SUMMARY.

1. DURING CALL BY CHARGE SORENSON AND ECONMIN BRUNGART
ON INDONESIAN AMB ALI ALATAS, LATTER EXPRESSED
GREAT SATISFACTION WITH HIGH LEVEL DIALOGUE THAT HAS
DEVELOPED BETWEEN INDONESIA AND THE UNITED STATES WITH
RESPECT TO NORTH-SOUTH ISSUES. HE WAS PARTICULARLY

GRATIFIED WITH THE DISCUSSION HE HAD IN LONDON WITH UNDER SECY COOPER AS A RESULT OF WHICH HE WAS REASONABLY OPTIMISTIC ABOUT THE OUTCOME OF CIEC. HE ATTRIBUTED TREAT IMPORTANCE TO A DECISION IN PRINCIPAL BY CIEC THAT THERE "SHOULD" BE A COMMON FUND AND HE HOPED THAT THE U.S. WOULD BE ABLE TO ENDORSE THIS AT CIEC.

2. ASSUMING A SUCCESSFUL CIEC OUTCOME, ALATAS THOUGHT THE ESSENTIAL BASIS FOR A SUCCESSFUL COMMON FUND NEGOTIATION WOULD BE FOR GROUP B COUNTRIES TO COALESCE BEHIND THE "POOLING PLUS" IDEA. WITH TWO CONCRETE PROPOSALS ON THE TABLE -- "POOLING PLUS" AND THE G-77 "CENTRAL SOURCE OF FINANCING" CONCEPT -- THERE WOULD BE A BASIS FOR MEANINGFUL NEGOTIATIONS. IHE RECOGNIZED THAT GROUP B WOULD NEED TIME FOR HOMEWORK AFTER THE CIEC MEETING AND ALSO AGREED THAT THEREAFTER IT WOULD BE DESIRABLE TO HAVE INFORMAL INTER-GROUP DISCUSSIONS. IN VIEW OF THE TIME REQUIRED FOR THIS PROCESS, HE EXPRESSED UNDERSTANDING THAT IT MIGHT BE NECESSARY TO HAVE SOME POSTPONEMENT OF THE PRESENTLY CONTEMPLATED NOV DATE FOR THE RESUMED CF NEGOTIATIONS. HE STRESSED, HOWEVER, THAT THIS WAS A PERSONAL VIEW AND THAT THE POLITICAL ASPECTS OF A POSTPONEMENT WOULD HAVE TO BE TAKEN INTO ACCOUNT.

3. ALATAS ALSO STRESSED THE IMPORTANCE OF SUBSTANTIAL PROGRESS ON INDIVIDUAL COMMODITIES BETWEEN NOW AND THEN. HE SAID HE QUITE UNDER-
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STOOD OUR RESERVATIONS ABOUT THE SCOPE OF THE ORIGINAL INTEGRATED PROGRAM, AND THAT EVEN THE UNCTAD SECRETARIAT HAD CONSIDERABLY REFINED ITS THINKING ON THIS SUBJECT AND LOWERED ITS SIGHTS. IHE FELT THAT, IF WE COULD WORK OUT CONCRETE AGREEMENTS ON PERHAPS FIVE OR SIX COMMODITIES -- TIN, ICOFFEE, COCOA, SUGAR, RUBBER -- FOR WHICH COMMON FUNDING COULD BE AGREED BY NOVEMBER WITH SUBSTANTIAL PROGRESS IN OTHER AREAS, WE WOULD HAVE BROKEN THE BACK OF THIS ISSUE. HE MENTIONED TIN, RUBBER, TROPICAL TIMBER AND COPPER AS PRODUCTS OF PARTICULAR INTEREST TO INDONESIA, ALTHOUGH HE AGREED THAT THESE MIGHT NOT ALL BE VIABLE COMMODITIES FOR BUFFER STOCKS.

4. WITH REGARD TO RUBBER, HE FELT THAT INTERNATIONAL CONSIDERATION OF AN ARRANGEMENT WAS PROGRESSING SATISFACTORILY, PRIMARILY BECAUSE THE RUBBER PRODUCERS HAD SPENT TWO YEARS DOING THEIR HOME WORK. HE HOPED THAT WE WOULD APPROACH THE NEGOTIATIONS CONSTRUCTIVELY. WITH REGARD TO TIMBER, IHE WAS FRANKLY AT A LOSS AS TO

WHAT COULD BE DONE, NOTING THAT THEIR BUFFER STOCK WAS IN THEIR FORESTS. CONCERNING COPPER, HE STATED THAT ALTHOUGH INDONESIA HAS ONLY LIMITED PRODUCTION AT THE MOMENT, AN AGREEMENT IS OF MAJOR INTEREST TO THEM BECAUSE THEY HAVE LARGE UNEXPLOITED PRODUCTION POSSIBILITIES. HE RECOGNIZED THAT A STABILIZATION AGREEMENT WOULD REQUIRE LARGE AND EXPENSIVE BUFFER STOCKS BUT FELT THAT THE POSSIBILITIES NEEDED TO BE CONSIDERED THOROUGHLY AND THAT IT MIGHT BE DESIRABLE AND POSSIBLE TO BEGIN AN ARRANGMENT WITH STOCKS OF LESS THAN OPTIMUM SIZE, AS HAD BEEN DONE WITH TIN IN THE PAST.

5. CONCERNING THE COMMON FUND ITSELF, ALATAS MADE ONE FINAL POINT WHICH HE STRONGLY UNDERLINED. THE POLITICAL SIGNIFICANCE OF THE FUND WOULD BE AS IMPORTANT TO THE LDCS -- INDEED, PERHAPS MORE IMPORTANT -- THAN ITS ECONOMIC SIGNIFICANCE. IT WAS CRUCIAL, CONFIDENTIAL

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THEREFORE, THAT THE FUND AND ITS OPERATION BE INDEPENDENT. HE WAS STRONGLY OPPOSED TO ITS OPERATING AS YET ANOTHER WINDOW OF THE IBRD, AND HE ARGUED THAT WE SHOULD TOO SINCE IT WOULD ONLY SERVE TO LET THE EAST EUROPEAN COUNTRIES OFF THE HOOK. SORENSON

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